

Appendix A--Definition of Terms and Acronyms

Acquisition Plan (AP). The AP addresses the technical, business, management, and other significant considerations that will control acquisition.

Activity. A unit, organization, or installation performing a function or mission.

Administrative Appeal Authority. An individual who is independent of the activity under review or at least two organizational levels above the individual certifying the MEO. This individual adjudicates appeals then reviews appeals to verify that all costs are properly accounted for in accordance with this instruction, and verifies eligible appellants have full and equal access to the cost comparison decision process.

Affected Civilian Employees. Navy civilian employees who may be adversely impacted by a tentative cost comparison decision. Affected civilian employees include those in the function converted to contract or MEO and civilian employees outside the function but in the competitive area of the cost comparison.

Bid Opening. For a sealed bid procurement, bid opening is the date and time established to open, read aloud, and display the bids received in response to an Invitation For Bids. For a negotiated procurement action, the term is solicitation closing date which is the time set in the Request for Proposals by which all proposals must be received.

Commander/Activity Commander. Usually, the commanding officer or head of an activity that has budget and supervisory control over resources and personnel. In some cases, due to overlapping authority and responsibility or the need to defer decision authority to a higher level, the term may include a commander of a regional activity, the commander of a major claimancy, or a senior level activity commander.

Commercial Activity (CA). An activity that provides a product or service obtained (or obtainable) from a commercial source. A Navy commercial activity is not an Inherently Governmental function. A Navy commercial activity may be an organization or part of an organization. It must perform a type of work that is separable from other functions or activities so that it is suitable for performance by contract. A representative list of the functions performed by such activities may be found in OMB Circular A-76, Revised Supplemental Handbook, enclosure 3 (NOTAL). A Navy commercial activity falls into one of the following two categories:

1. In-House Commercial Activity. A Navy CA operated by a Navy activity with Navy personnel.

2. Contract Commercial Activity. A Navy commercial activity managed by a Navy activity operated with contractor personnel or by a non-DoD Federal agency (i.e., ISSA). Commercial Activities Inventory. A listing of all in-house and contracted commercial activities and their associated FTEs.

Commercial Activities Management Information System (CAMIS). The automated system used to track, collect, and maintain data for cost comparisons and direct conversions. The CAMIS is required for compliance with Title 10 U.S.C. 2463, Executive Order 12615, Performance of Commercial Activities, OMB Circular A-76, and DODI 4100.33, 9 September 1985 (NOTAL).

Commercial Source. A commercial source is any business or other concern that is eligible for contract award in accordance with Federal Acquisition Regulations.

Conditional Contract Award. A contract award made upon the initial decision in a cost comparison involving a negotiated acquisition. Contractor performance is conditioned on the contractor's proposal continuing to be deemed the most advantageous offer after completion of the Administrative Appeal process.

Contract Administration. Contract administration includes those inherently governmental activities performed by warranted contracting officers (CO), the contracting officer's technical representatives (COTR), and related payment evaluation staff. Contract administration is not to be confused with contract quality control and performance evaluation or inspection which are defined as commercial activities by OMB Circular A-76, Revised Supplemental Handbook and Office of Federal Procurement Policy (OFPP) Policy Letter 92-1 (NOTAL).

Contract Award Date. The date the contract is awarded by the Government.

Contract Start Date. The date work is scheduled to begin under contract performance.

Contracting Officer. A contracting officer is the only person with the authority to create, modify, or terminate a contract.

Conversion Differential. The conversion differential is the minimum gained savings projected before converting from one method of operation to another. The differential reflects the unpredictable costs inherent in changing the status quo. These include such costs as retained pay and the temporary loss of productivity associated with a conversion. The conversion differential is the lesser of 10 percent of government personnel costs or \$10 million over the performance period.

Conversion to Contract. The changeover of a commercial activity from performance by Navy personnel to performance under contract by a commercial source.

Conversion to In-House. The changeover of a commercial activity from performance under contract by a commercial source to performance by Navy personnel.

Conversion to ISSA. The changeover of a commercial activity from performance by Navy personnel to performance by a non-DoD Federal agency.

Cost Comparison. A cost comparison is the formal process comparing the estimated cost of Government performance to the cost of performance by a contractor or ISSA provider.

Current Organization. The state of the organization as it exists at the beginning of the study, including staffing, organization, facilities, equipment, and any conditions that affect efficient operation.

Department of Labor Wage Determination. A Department of Labor determination on the minimum wages and fringe benefits to be paid by the contractor for certain skills in a particular geographic area.

Direct Combat Support Function. Work that is essential to the support of combat operations and if not performed could cause immediate impairment to combat capability.

Direct Conversion. The act of converting an activity to or from an in-house, contract, or Interservice Support Agreement (ISSA) performance without first conducting a cost comparison.

Economic Impact Statement. A statement as to the economic impact to the community resulting from conversion. If more than 75 employees of all categories (military, civilian,

7 June 1999

permanent, temporary, etc.) are affected by conversion, activities will assess the economic impact on the local community and the Federal Government. Activities must address economic impact after bid opening and after contract costs are known. Activities will address the following items in the economic impact statement (*Title 10 U.S.C. 2461*):

1. Total population of the affected community
2. Change in business volume of the affected community
3. Change in total personal income of the affected community
4. Change in total employment of the affected community
5. Impact on tax base of the affected community

Expansion. An expansion is the modernization, replacement, upgrading, or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTE or more, a cost comparison is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTE or more. The above definition notwithstanding, pursuant to OMB Circular A-126 all aircraft purchase decisions should be justified through formal cost comparison, as provided by the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

Federal Acquisition Regulation (FAR). The FAR provides contracting policy for the Federal Government. The FAR is the primary regulation for use by all Executive Agencies in their acquisition of supplies and services.

Final Cost Comparison Decision. This is a decision resulting from a comparison of costs between the Government and private sector bids or offers made after the public review period and Administrative Appeal Period have been completed.

Full-Time Equivalent (FTE). For full and part time civil servants, calculate total hours required by skill and divide by 1,776 to determine FTE. For intermittent positions, divide by 2,007.

Function. The appropriate or assigned duties, responsibilities, missions, or tasks of an individual, office, or organization.

Independent Review. The independent review substantiates the currency, reasonableness, accuracy, and completeness of all cost, and cost information, prior to cost comparison. This includes verifying the PWS is the basis for the in-house cost estimate as presented in the solicitation and verifying the sufficiency of the QASP, TPP, TP, MEO, and IHCE and their conformance to OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

Independent Review Officer (IRO). The Navy official who reviews and certifies the cost comparison has been prepared in accordance with this instruction.

Inherently Governmental Activity. An activity that is so intimately related to public interest as to mandate performance by Government personnel. These activities require the exercise of discretion in applying Government authority, the use of value judgment in making decisions on behalf of the Government, or obligation of funds and entitlements.

Invitation for Bid (IFB). The request to potential offerors for bids in a sealed bid acquisition.

Interservice Support Agreement (ISSA). An agreement between Federal agencies. For purposes of this instruction, DoD is defined as an agency (i.e., individual DoD components and Services are considered one agency).

Joint Interservice Regional Support Group (JIRSG). The JIRSG coordinators facilitate communication and cooperation among area commanders, directors, and activity representatives with similar interests or responsibilities. Coordinators evaluate proposed ideas for cooperative ventures and facilitate implementation of ideas approved by participating activities.

7 June 1999

Management Plan. The Management Plan documents the changes that will result in the MEO to perform a CA in-house. It provides the staffing patterns and operating procedures that serve as a baseline for in-house cost estimates.

Market Analysis. An analysis of at least three comparable contracts, performed by the contracting officer, to determine an estimated range of contract prices. It is also used to determine if commercial sources exist and to determine if an exercised contract option will result in fair and reasonable prices.

Most Efficient Organization (MEO). The Government's in-house organization deemed to be the most efficient to perform the work specified in the PWS.

Multi-Function Study. A study that includes more than one CA Function Code or more than one geographic location.

Negotiated Acquisition. A type of acquisition strategy where contractors submit offers in response to a request for proposals, followed by negotiations with contractors prior to conducting the cost comparison.

Navy Civilian Employee. A U.S. direct hire civilian employee of the Department of the Navy.

Navy Personnel. Refers to both military and civilian personnel of the Department of the Navy.

New Requirement. A newly established need for a commercial product or service. A new requirement does not include interim in-house operation of essential services pending re-acquisition of the services prompted by such action as the termination of an existing contract operation.

Nonappropriated Fund Instrumentality (NAFI). An integral DoD organizational entity that performs a government function. It acts in its own name to provide or assist DoD Components in providing morale, welfare, and recreational programs for military personnel and authorized civilians. It is established and maintained individually or jointly by the heads of the DoD Components. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. It is also responsible for the reasonable care to administer, prudently safeguard, preserve, and maintain those appropriated fund resources made available to carry out its function. With its nonappropriated funds, it

contributes to the morale, welfare, and recreational programs of other authorized organizational entities. It is not incorporated under the law of any state or the District of Columbia, and it enjoys the legal status of an instrumentality of the United States.

Offer. A contractor's proposal used for pricing a contract or contract modification in negotiated acquisitions.

Overhead. Overhead is included in the in-house cost estimate and is defined as costs that are not 100 percent attributable to the activity being cost compared but are generally associated with the recurring management or support of the activity. Overhead includes functions such as human resources, resource management, legal, procurement, etc.

Performance Work Statement (PWS). A document that accurately describes the essential and technical requirements for services and materials. The PWS complies with the FAR, establishes the scope of work, and is the basis for all costs entered on the cost comparison form. Upon award, it becomes part of the contract.

Post-MEO Performance Review. A Post-MEO Performance Review confirms that implementation of the MEO is in accordance with the Transition Plan and the MEO is operating within cost.

Preferential Procurement Program. These are special commercial source programs such as Federal Prison Industries and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act.

Privatization. The process of changing a Navy activity to private control or ownership. It does not include determination as to whether a support service should be obtained through public or private resources when the Government retains full responsibility and control over the delivery of those services.

Procurement Integrity Act. The Procurement Integrity Act (Title 41 U.S.C. 423) generally establishes prohibitions, restrictions, and requirements relative to disclosing or obtaining procurement information, reporting employment contacts, and post-government employment.

OPNAVINST 4860.7C
7 June 1999

Proposal. An offer used for awarding a contract or contract modification in negotiated acquisitions.

Proposed Organization. A detailed description of the MEO, including staffing, organization chart, operating procedures, facilities, equipment, supplies, etc.

Quality Assurance Evaluator (QAE). A QAE inspects and certifies contractor performance to the contracting officer.

Quality Assurance Surveillance Plan (QASP). A document containing sampling guides, checklists, and decision tables used for contractor or MEO quality assurance surveillance.

Regionalization. The consolidation/realignment of functions/positions either geographically or organizationally to streamline and achieve savings through the elimination of duplicative positions.

Reporting Component. A shore-based organization that has been assigned a Unit Identification Code (UIC) except for military units subject to deployment in a combat or combat support role.

Request for Proposal (RFP). The request to potential offerors for offers using the negotiated acquisition process.

Right of First Refusal. The right provided to civilian employees, including term employees, permanent NAF employees and term NAF employees adversely affected by the cost comparison (standard or streamlined) or direct conversion. The "Right of First Refusal" clause is contained in FAR 52.107-3.

Sealed Bid Acquisition. A type of acquisition strategy where contractors submit bids in response to an invitation for bids and no negotiations are conducted with contractors prior to conducting the cost comparison.

Separable or Severable Function or Activity. Work in an in-house activity that can be separated or severed from the rest of the activity or function in a manner that will (1) preclude creation of a personal services contract or (2) permit performance by either a contractor or MEO in accordance with a PWS.

Service Contract Act. A law established to set service contract minimum wages for skilled labor in service contracts performed on Government installations. *Title 41 U.S.C. 351-358*

Single-Function Study. A study that includes only one CA Function Code at only one geographic location.

Standard Cost Comparison. A standard formalized OMB process where Navy activities define minimum requirements to compete a commercial activity. After issuance of a solicitation in accordance with the FAR, cost comparison between the private sector (contractors) and public sector (Navy) takes place. The basis for the Government bid is the MEO. A standard cost comparison may be performed on any size CA.

Streamlined Cost Comparison. The process of determining whether a commercial activity should be performed by in-house personnel, by contract, or through ISSA in accordance with OMB Circular A-76, Revised Supplemental Handbook, Part II, Chapter 5 (NOTAL).

Study/CA Study. Term used to describe the entire process of conducting a cost comparison in accordance with OMB Circular A-76, including developing the PWS and QASP, determining the MEO, developing the cost of the MEO, issuing an RFP, comparing the cost of in-house performance to the cost of contractor performance, and conducting the Administrative Appeal process.

Technical Leveling. Adjustment of the PWS scope of work and/or the Government's Technical Performance Plan to achieve the same level of performance and performance quality between the Government and bidders.

Technical Performance Plan (TPP). A TPP represents the technical approach and expended resources by the Government in meeting the requirements of the PWS. It is prepared in accordance with the requirements specified in the solicitation and depicts the requirements specified in the MEO.

Transition Plan (TP). A written plan for the transition from the current organizational structure to MEO, contract, or ISSA performance designed to minimize disruption and preclude adverse impacts and establish capitalization and start-up requirements. The TP verifies the MEO, contract, or ISSA implementation will begin within the first 30 days after a final cost comparison decision.

OPNAVINST 4860.7C
7 June 1999

Acronyms

AP
Acquisition Plan

CA
Commercial Activity/Activities

CAMIS
Commercial Activities Management
Information System

CBD
Commerce Business Daily

CCF
Cost Comparison Form

COR
Contracting Officer's Representative

DBA
Davis-Bacon Act

DFARS
Defense Federal Acquisition Regulation
Supplement

DORS
Defense Outplacement Referral Service

FAR
Federal Acquisition Regulation

FTE
Full-time Equivalent

IFB
Invitation for Bid

IHCE
In-House Cost Estimate

IRO
Independent Review Officer

ISSA
Interservice Support Agreement

JWOD
Javits-Wagner-O'Day Act

MEO
Most Efficient Organization

NAF
Non-appropriated Fund

NAFI
Non-appropriated Fund Instrumentality

NIB
National Industries for the Blind

NISH
National Industries for the Severely
Handicapped

OMB
Office of Management and Budget

POA&M
Plan of Action and Milestones

OPNAVINST 4860.7C
7 June 1999

POM
Program Objective Memorandum

TP
Transition Plan

PPP
Priority Placement Program

TPP
Technical Performance Plan

PR
Program Review

U.S.C.
United States Code

PWS
Performance Work Statement

QAE
Quality Assurance Evaluator

QASP
Quality Assurance Surveillance Plan

RFP
Request for Proposals

RIF
Reduction in Force

ROFR
Right of First Refusal

SCA
Service Contract Act

SSA
Source Selection Authority

TFMMS
Total Force Manpower Management
System

Appendix B—Mandatory/Advisory Publications and Internet Resources

Commercial Activities

NUMBER/ PROPONENT	TITLE	DATE	M/A*	World Wide Web Address http://
Navy	Succeeding at Competition	14 Jan 97	A	www.fac131.navfac.navy.mil/csso
Navy	Business Unit Definition and Analysis Guide	31 Dec 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide for Reviewing Cost Estimates Prepared Under the Commercial Activities Program	28 Feb 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide to Preparing the Technical Performance Plan	1 Aug 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide For Conducting 10 and Under Study	2 Jan 98	A	www.fac131.navfac.navy.mil/csso
Navy	SECNAVINST 12351.5E, Approval and Notification of Civilian Reduction-in-Force, Transfer of Function, and Furlough Actions	4 Mar 93	M	neds.nebt.daps.mil/
Navy	OPNAVINST 4000.84B, Interservice and Intergovernmental Support Program	14 Nov 96	M	neds.nebt.daps.mil/
OMB	Circular A-76, Performance of Commercial Activities	4 Aug 83	M	www.whitehouse.gov.omb/
OMB	Circular A-76 Revised Supplemental Handbook	Mar 96	M	www.whitehouse.gov.omb/
DODI 4100.19	Interservice and Intergovernmental Support	9 Aug 95	M	web7.whs.osd.mil/
DODI 4100.33	Commercial Activities Program Procedures	9 Sep 85	M	web7.whs.osd.mil/
DODD 4100.15	Commercial Activities Program	10 Mar 89	M	web7.whs.osd.mil/
GSA	Federal Acquisition Regulation	N/A	M	www.arnet.gov/References/
DOD	Defense Federal Acquisition Regulation Supplement	N/A	M	www.acq.osd.mil/dp/dars/dfars.html
Navy	Navy Acquisition Procedures Supplement (NAPS)	N/A	M	www.acq-ref.navy.mil
OFPP 91-2	Service Contracting	9 Apr 91	M	www.arnet.gov/References/
OFPP 92-1	Inherently Governmental Functions	23 Sep 92	M	www.arnet.gov/References/
Navy	OPNAV N4 Logistics			www.n4.hq.navy.mil
Navy	SSO			www.fac131.navfac.navy.mil/csso
Navy	Navy Personnel Command			www.bupers.navy.mil
Navy	Acquisition Reform Office			www.acq-ref.navy.mil
Navy	NAVAUDSVC			www.hq.navy.mil/navalaudit
DOL	DOL Wage Rates			www.ceals.usace.army.mil
Military Rates	DoD Comptroller			www.dtic.mil/comptroller/rates/

M-Mandatory, A-Advisory

Note. In the event these addresses change, please use an Internet search engine to locate them.

Appendix C--Reporting Requirements

Public law, Acts of Congress, OMB Circular A-76, and DoD regulations require various CA reports. Claimants are responsible for entering their activities' data into the Commercial Activities Management Information System (CAMIS) to allow CNO (N4) to manage and communicate required A-76 data to Congress. Claimants may submit the Activity Tentative Decision Report and the Activity Final Decision Report for Full Cost Comparison and Simplified Cost Comparison and the Activity Final Decision Summary report for Direct Conversion using e-mail, fax, or Navy message. *Title 10 U.S.C. 2463*

1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison

a. Initial and Quarterly Plan of Action & Milestones (POA&M)

(1) Following announcement of a CA study, activities will establish, in concert with their chain of command and local contracting office, a POA&M to complete each CA cost comparison. Milestones tracked by CNO (N4) for each study are:

- (a) The PWS and QASP target completion date
- (b) Expected contract solicitation date
- (c) Management Plan completion date
- (d) Independent Review start date
- (e) Receipt of proposals date
- (f) Tentative Decision date
- (g) Contract or MEO start date

The PWS and QASP target completion date is the anticipated date that the contracting officer has affirmed that both the PWS is a contractible document and the QASP is complete. The tentative decision date is the proposed date of bid opening for sealed bid procurements or the anticipated date the selected offeror's price will be compared with the government estimate for negotiated procurements. Activities must provide the dates for all of these items, via the chain of command, to CNO (N4) within 60 days of notification of approval to conduct a cost comparison. The CNO (N4) will assign a control number that activities must cite in all correspondence concerning each study.

(2) Quarterly, activities will provide their chain of command an update of changes to the approved milestone dates. Activities must justify any schedule slippage.

(3) Activities must separately request cancellation or deferment of announced studies in writing to CNO (N4) via their chain of command.

b. Activity Solicitation Report

(1) Activities will submit an Activity Solicitation Report within 10 working days of the date of solicitation issuance to CNO (N4) with information copies to the chain of command. The subject line of this report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., "Date Solicitation Issued: 01011999").

(2) Activities will report information in the format and sequence shown below:

(a) Date PWS completed: (mmddyyyy). Date the PWS is affirmed as a contractible document by the contracting office.

(b) Actual Solicitation Date: (mmddyyyy). Date the solicitation is issued by contracting officer.

(c) Solicitation Type Code: Type of solicitation used to obtain bid or offers:

B - Best Value
N - Negotiated
S - Sealed Bid

(d) Solicitation Kind Code: Indicate whether the competition for the contract has been limited to a specific class of bidders. Furnish the following information with appropriate codes.

A - Restrict to Small Business
B - Small Business Administration 8(a) set aside
C - Javits-Wagner-O'Day Act (JWOD) (Title 41 U.S.C. Sections 46-48c, reference (o))
D - Other mandatory sources
U - Unrestricted
W - Unrestricted after initial restriction

(e) Number of personnel authorized at the activity to perform the work described in the PWS when the solicitation is issued. This number refines the initial assigned estimate reported in the review process prior to study announcement. The term "authorized" refers to funded authorized military and civilian positions and not on-board counts.

Current Number of Authorized Civilians: (not MEO)
Current Number of Authorized Military: (not MEO)

(f) Number of actual workyears it has taken to perform the work described by the PWS during the 12 months prior to issuance of the solicitation. Military workyears include assigned, borrowed, diverted, and detailed personnel. Round down less than one half year of effort. Round up one half year or more effort. Do not include contractor requirements. These workyear numbers establish the baseline for determining the personnel savings identified by the management study.

Baseline Workyears, Civilian:
Baseline Workyears, Military:

c. Activity Tentative Decision Summary Report

This response reports the tentative result of the cost comparison and will be submitted within 3 working days of the initial decision announcement. This requirement allows CNO (N4) to prepare required Congressional notifications. To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of this response will identify function title, function code, and Navy control number. Provide a response for each line item; if "not applicable" is appropriate, enter "N/A." For ease of understanding by all addressees, the response should list the title of the reported element followed by the required information (e.g., "a. Decision Code: I.").

(1) If a small business 8(a) solicitation does not result in any bids/offers, review the solicitation and restructure or reissue it on an unrestricted basis. If a solicitation does not elicit any bids or offers, do not report any information concerning the MEO and the cost of the Government's bid. Activities must submit a response noting a change in the "solicitation kind code" of the preceding solicitation response to "W - Unrestricted after initial solicitation." No further report is required until the unrestricted solicitation results in a tentative decision.

(2) Report the following information in the format shown below:

(a) Decision Code: I - In-house
C - Contract
S - ISSA

(b) Rationale Code: C - Cost
N - No Satisfactory Commercial Source
O - Other

(c) Cost Comparison/Initial Decision Date: (mmddyyyy). This is the date of initial announced decision. The basis for the initial decision is the apparent low bid/offer and is subject to pre-award surveys and resolution of all appeals and protests.

(d) Number of bids or offers received: This is the number of commercial bids or proposals received by the contracting officer in response to solicitation. (Enter "N/A" if no bids/offers received.)

(e) Number of civilian positions required to perform MEO:

(f) Number of positions required for contract administration used in computing costs of line 8 of Cost Comparison Form (CCF):

(g) Disposition of civilian positions identified in MEO if contract award occurs: (If tentative result favors in-house performance, enter "N/A.")

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the contractor or ISSA provider:

NOTE: Do not include anticipated adjustments resulting from reduction in force (RIF) bumping and retreating. The sum of lines (1) through (6) above should not exceed the number of positions in the original organization.

NOTE: Lines (h) through (l) are totals over all performances period.

(h) Government (MEO) costs: (from line 6 of CCF)

(i) Original cost of function: Estimated total cost of the function before the development of the MEO, shown in thousands of dollars, rounded to the nearest thousand. Since most organizations are labor intensive, an adequate estimate for this purpose can be developed by adding the cost of the difference in number of personnel between the MEO and the pre-MEO organization to line h, above. Use a more detailed estimate if it is available--In either case use the more accurate estimate.

(j) Bid/offer costs: (from line 7 of CCF)

(k) Cost incurred by contracting: Contract administration and other costs of contracting (subtract CCF line 7 from line 13)

(l) Minimum cost differential: (from line 14 of CCF)

(m) Name of company submitting low bid:

(n) Location of company submitting low bid:

(o) Economic Impact Statement: Prepare an examination of the potential economic impact of the performance of the function by the private sector if the reduction-in-force involves 75 or more activity civilian personnel. The statement will address DoD employees affected by such a change in performance and must assess the impact to the local economy and government.

(p) Impact upon military mission: If none, so state.

(q) "I certify that this cost comparison is based on the most efficient organization. /s/ Commanding Officer"

(r) Activity point of contact: Name and telephone number.

d. Activity Final Decision Summary Report

(1) Activities will submit this response reporting the final decision of the cost comparison within 3 working days after completion of the administrative appeal period, pre-award survey, and any other determination affecting final outcome of the decision. To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of response will identify function title, function code, and Navy control number. Provide a response for each line item. For ease of understanding by all addressees, the response should list the title of the reported element followed by the required information (e.g., "a. Decision Code: I."). If "not applicable" is appropriate, enter "N/A." Report the following information in the format shown below:

(a) Decision Code: I - In-house
C - Contract
S - ISSA

(b) Rationale Code: C - Cost
N - No Satisfactory Commercial Source
O - Other

(c) First Performance Period. Length of time expressed in months covered by the first period of performance used in the cost comparison. Do not include any option periods.

(d) Cost Comparison Period. Total period of performance used in the cost comparison expressed in months.

(e) Contract, MEO, or ISSA Start Date: (mmddyyyy). The planned date

(f) For contract decisions, indicate disposition of civilian positions identified in the MEO only if numbers vary from those reported in tentative decision summary response:

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade

positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the by the contractor or ISSA provider:

NOTE: Do not include anticipated adjustments resulting from reduction in force (RIF) bumping and retreating. The sum of lines (1) through (6) above should not exceed the number of positions in the original organization.

NOTE: Lines (g) through (k) are totals over all performance periods.

(g) Government costs: (from line 6 of CCF). Enter only if the appeal process resulted in change to previously reported data.

(h) Original cost of function: Estimated total cost of the function before the development of the MEO, shown in thousands of dollars, rounded to the nearest thousand. Since most organizations are labor intensive, an adequate estimate for this purpose can be developed by adding the cost of the personnel difference between the MEO and the pre-MEO organization to line h, above. If a more detailed estimate is available use it--In either case use the more accurate estimate.

(i) Bid/offeror costs: (from line 7 of CCF). Enter only if the appeal process resulted in a change to previously reported data.

(j) Costs incurred by contracting: Contract administration and other costs of contracting (subtract line 7 from line 13 of CCF). Enter only if the appeal process resulted in a change to previously reported data.

(k) Minimum cost differential: (from line 14 of CCF). Enter only if appeal process resulted in a change to previously reported data.

(l) Name of company submitting low bid: (If different than previously reported)

(m) Location of company submitting low bid: (If different than previously reported).

(n) Indicate contractor size:

S - Small or disadvantaged business

L - Large business

(o) Administrative Appeal:

(1) Were administrative appeals filed?

Y - Yes

N - No

(2) Who filed the appeal?

I - In-house

C - Contractor

B - Both

(3) Result - Did appeal reverse initial decision? (Explain if both appeal.)

Y - Yes

P - Still in progress

N - No

(p) General Accounting Office (GAO) protest:

(1) Was protest to GAO filed?

Y - Yes

N - No

(2) Who filed the protest?

I - In-house
C - Contractor
B - Both

(3) Was protest upheld? (Explain if both protest)

Y - Yes
P - Still in progress
N - No

(q) Arbitration:

(1) Was arbitration requested?

Y - Yes
N - No

(2) Was the case found arbitrable? (Provide brief explanation)

Y - Yes
P - Still in progress
N - No

(r) Contract Administration Personnel: Report the actual number of personnel who administer the contract.

(s) Contract Type: Enter only if decision is to award to a contractor. Enter one of the following codes for the first character to classify the contract as either predominately fixed price or predominately cost reimbursable:

A Predominately Firm Fixed Price
D Predominately Cost Reimbursable

Enter one of the following codes for the second character:

I Indefinite Delivery/Indefinite Quantity
O Other

(t) MEO Workyears: Enter the number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry must equal the number of annual workyears in the in-house bid.

(2) The CNO (N4) will authorize cancellation of the solicitation and continued in-house performance, contract award in the case of the sealed bid solicitation, and commencement of contract performance in the case of a negotiated solicitation by return response after issuing all the appropriate congressional announcements. No additional documentation or approvals are required if the action involves fewer than 75 civilian employees. If the action involves the separation of 75 or more civilian employees, activities will forward the Fact and Justification Sheet for Actions Requiring ASN(M&RA) Approval directly to the applicable approving authority as outlined in SECNAVINST 12351.5E (NOTAL) with a simultaneous copy to CNO (N4). Since, in most CA conversions, contract employees will continue to perform the converted function in the same geographic area, the economic impact upon the geographic area will usually be minimal. If activities cannot calculate precise numbers for this report, they should submit an estimate.

e. Activity Post Conversion Report

(1) If the function is contracted, submit this report and a copy of the completed cost comparison format, revised to show any changes resulting from appeal decision, not later than 90 days after contract start date to CNO (N4) with information copies to the chain of command. Subject line of the report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report must list the title of the reported element followed by the required information (e.g., Contract Start Date: mmddyyyy).

(2) Activities will report the following information in the format shown below:

(a) Contract Start Date: (mmddyyyy). Actual date the contractor begins full operation of the function/functions under the contract.

(b) Permanent Employees Transferred to Equal Positions. Number of permanent employees reassigned to positions of equal grade effective through the start date of the contract.

(c) Permanent Employees Transferred to Lower Positions. Number of permanent employees reassigned to lower grade positions effective through the start date of the contract.

(d) Employees Taking Early Retirement. Number of employees receiving offer and who have accepted early retirement effective through the start date of the contract.

(e) Employees Taking Normal Retirement. Number of employees who take normal retirement effective through the start date of the contract.

(f) Permanent Employees Separated. Number of permanent employees separated from Federal employment effective through the start date of the contract.

(g) Temporary Employees Separated. Number of temporary employees separated from Federal employment effective through the start date of the contract.

(h) Employees Paid Severance. Number of employees entitled to severance pay upon their separation from Federal employment effective through the start date of the contract.

(i) Total Amount of Severance Pay Entitlement (\$000). Estimated total payable amount of severance for all affected employees, shown in thousands of dollars, after their separation from Federal employment.

(j) Number of Employees Hired by the Contractor. Number of DoD civilian employees (full-time or otherwise) hired by the contractor.

(k) Staff Workyears Expended. Estimated number of activity staff hours expended on the cost comparison. These staff hours will include direct and indirect time expended from the time of study announcement to the final decision.

(l) Estimated Cost of Conducting the Cost Comparison. Estimated cost of the total staff hours identified above and non-labor (e.g., travel, reproduction costs, etc.) associated with conducting the cost comparison. This number should include the cost of any contract consultants funded directly by the claimant. The cost of contract consultants funded through the Strategic Sourcing Office (SSO) from the CNO (N4) budget will be accounted for separately. Show this information as:

(1) Cost of staff hours:

(2) Non-labor costs (travel, reproduction, etc.):

(3) Other consultant costs (identify consultant):

(m) Comments. Present comments as required to explain relevant situations that affected the conduct of the study.

f. The MEO Implementation Report

(1) If the function remains in-house, the fourth report in this series will be submitted when the MEO is implemented, but not later than 180 days after continued in-house performance is authorized. This report, along with a copy of the completed cost comparison form, revised to show any changes resulting from appeal decisions, will be sent to CNO (N4) with information copies to the chain of command. Subject line of report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., MEO Implementation Date mmddyyyy).

(2) Activities will report the following information in the format shown below:

(a) The MEO Implementation Date: (mmddyyyy)

(b) Staff Hours Expended: Estimated number of activity staff hours expended while completing the cost comparison. These staff hours will include direct and indirect hours expended from the time of study announcement to the final decision.

(c) Estimated Cost of Conducting the Cost Comparison: Estimated cost of the total staff hours identified above and non-labor (e.g. travel, reproduction costs, etc.) associated with the conducting the cost comparison. This number should include the cost of any contract consultants funded directly by the claimant. The cost of contract consultants funded through SSO from the CNO (N4) budget will be accounted for separately. Show this information as:

(1) Cost of staff hours:

(2) Non-labor costs:

(3) Consultant costs (identify consultant):

(d) Comments. Present comments as required explaining relevant situations that affected the conduct of the study.

g. Activity Annual Update Report

(1) This report will be submitted within 30 calendar days after the first period of performance, and annually thereafter, through the option periods stated in the cost comparison to update costs. Submit this report to CNO (N4) with information copies to the chain of command. This report is not required after execution of all periods of performance. The subject line of the report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report will list the title of the reported element followed by the required information.

(2) Activities will report the following information (Show costs in thousands of dollars, rounded to the nearest thousand.):

(a) Contract, ISSA, and In-house Bid--First/Second/Third/Fourth/Fifth Performance Period. Enter the in-house FTE workyears planned at the time of cost comparison for the performance period and the bid contract or ISSA price (from line 7 of the CCF).

(b) Actual Contract, ISSA, or In-house Costs--First/Second/Third/Fourth/Fifth Performance Period. For studies resulting in in-house performance; Enter the actual number of expended FTEs during the period of performance and round the figure to the nearest whole number For studies resulting in conversion to contract or ISSA performance, enter the actual contract or ISSA price for the performance period.

(c) Performer Change. Enter one of the following alphabetic codes to indicate whether the provider for the second, third, fourth or fifth performance period has changed from the original contractor.

Y - Yes, the performer has changed.
N - No, the performer has not changed.

(d) New Contractor Size. Enter one of the following alphabetic codes:

L - New Contractor is Large Business
S - New contractor is Small/Disadvantaged Business

(e) Reason for Change. Enter one of the following alphabetic codes:

C - Contract workload consolidated with other existing contract workload.
D - The new contractor took over because the original contractor defaulted.

7 June 1999

I - Performance returned to in-house operation because the original contractor defaulted within 12 months of the start date and the in-house bid was the next lowest bid.

N - The new contractor replaced the original contractor because the Government opted not to renew the contract's option years.

R - The function returned to temporary in-house operation pending resolicitation due to contractor default.

S - An ISSA provider assumed the workload.

T - The function was returned to in-house performance permanently after 12 months from the start date

U - Contract workload consolidated into a larger (umbrella) cost comparison.

X - Other--The function was eliminated because of base closure, realignment, budget reduction, or other change in requirements.

(f) Contract Administration Staffing. Enter the annual estimated work hours expended by contract administration personnel to administer the contract. (N/A if function performed in-house)

(g) Post-MEO Performance Review Date. Enter the date when the MEO underwent formal review and inspection. (N/A if function under contract)

Summary of Activity Reports Required for Full Cost Comparison and Simplified Cost Comparison

REPORT	TYPE & DISPOSITION	WHEN REQUIRED
a1. Establishment of POA&M Target Dates	Report to CNO (N4)	Sixty days after announcement
a2. Quarterly Update of POA&M Dates	Report CNO (N4)	Quarterly (For in-process studies only)
b. Activity Solicitation Report	Report to CNO (N4)	Ten working days after issuance of solicitation
c. Activity Tentative Decision Summary Report	Report to CNO (N4)	Three working days after announcement of cost comparison results
d. Activity Final Decision Summary Report	Report to CNO (N4)	Three working days after completion of appeal period, pre-award survey, etc.
e. Activity Post Conversion Report	Report to CNO (N4)	Ninety days after authorization to perform by contract
f. The MEO Implementation Report	Report to CNO (N4)	Upon MEO implementation but no later than 180 days after authorization of continued in-house operation
g. Activity Annual Update Report	Report to CNO (N4)	Annually within 30 calendar days of end of each performance period

2. Commercial Activities Reporting--Direct Conversion

a. Activity Solicitation Report. Use format at section 1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison, 1b.

b. Activity Final Decision Summary Report

(1) An Activity Final Decision Summary Report will be submitted within three working days after completion of the pre-award survey and any other determinations affecting final outcome of the decision to CNO (N4). To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of the response will identify function title, function code, and Navy control number. Provide a response for each line item. For ease of understanding by all addresses, the response should list the title of the reported element followed by the required information (e.g., "b. First Performance Period: 12"). If "not applicable" is appropriate, enter "N/A."

(2) Report the following information in the format shown below:

(a) Number of Bids Received: Number of commercial bids or proposals received by the contracting officer in response to solicitation.

(b) First Performance Period: Length of time expressed in months, covered by the initial contract period used in the cost comparison. Do not include any option periods.

(c) Cost Comparison Period: Total period of operation covered by the cost comparison expressed in months.

(d) Contract, ISSA, or MEO Start Date: (mmddyyyy). Planned date.

(e) For contract decisions, indicate disposition of civilian positions identified in the MEO only if numbers vary from those reported in tentative decision summary response:

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the contractor or ISSA provider:

NOTE: Do not include adjustments resulting from RIF bumping and retreating. The sum of lines (1), (2) and (3) above should not exceed the number of positions in the original organization.

NOTE: Lines (f) through (h) are totals over all performances period.

(f) Original cost of function: Estimated total cost of the function before the direct conversion decision, shown in thousands of dollars, rounded to the nearest thousand. Since most of the cost of small organizations are labor, an adequate estimate for this purpose can be attained by developing the cost of the positions eliminated. If a more detailed estimate is available use it--In either case use the more accurate estimate.

(g) Bid/Offeror costs:

(h) Costs incurred by contracting:

(i) Name of company submitting low bid:

(j) Location of company submitting low bid:

(k) Indicate contractor size:

S - Small or small disadvantaged business
L - Large business

(l) The GAO Protest:

(1) Was protest to GAO filed?

Y - Yes
N - No

(2) Who filed the protest?

B - Both
C - Contractor
I - In-house
S - ISSA

(3) Was the protest upheld?

Y - Yes
P - Still in progress (Provide brief explanation)
N - No

(m) Arbitration:

(1) Was arbitration requested?

Y - Yes
N - No

(2) Was case found arbitrable?

Y - Yes
P - Still in progress (Provide brief explanation)
N - No

(n) Contract Type: Enter one of the following codes for the first character to classify the contract as either predominately fixed price or predominately cost reimbursable:

- A Predominately Firm Fixed Price
- D Predominately Cost Reimbursable

Enter one of the following codes for the second character:

- I Indefinite Delivery/Indefinite Quantity
- O Other

c. Activity Post Conversion Report

(1) An Activity Post Conversion Report will be submitted 90 days after contract start date to CNO (N4). The subject line of this report will identify function title, function code, and Navy control number if previously assigned by CNO (N4). For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., "f. Contractor Change: N").

(2) Activities will report information in the following sequence:

(a) Actual Contract or ISSA Cost—First/Second/Third/Fourth/Fifth Performance Period. Actual contractor or ISSA cost for the performance period, shown in thousands of dollars, rounded to the nearest thousand.

(b) Performer Change. Enter one of the following alpha designators to indicate whether the contractor for the second or third performance period has changed from the original contractor:

- N - No, the performer has not changed.
- Y - Yes, the performer has changed.

(c) New Contractor Size. Enter N/A if f. above is "N." Otherwise, enter one of the following alpha designators to indicate the size of the new contractor. (If h. below is "I" or "R," no entry is required):

- L - The new contractor is large business.
- S - The new contractor is small or small disadvantaged business.

(d) Reason for Change. Enter N/A if f. above is "N." Otherwise, enter one of the following designators, followed by the last four digits of the fiscal year (FY) in which the change occurred (e.g., "h. Reason for Change: C1998):

C - Consolidation of contract workload with other existing contract workload.

D - The new contractor took over because the original contractor defaulted.

I - The function was returned to in-house performance because the original contractor defaulted within 12 months of the start date and the in-house bid was the next lowest.

N - The new contractor replaced the original contractor because the Government opted not to renew the contract in option years.

R - Return of function to in-house performance temporarily pending resolicitation because of contract default.

S - Assumption of workload by ISSA.

T - The function was returned to in-house performance permanently after 12 months from the start date.

U - Consolidation of contract workload into a larger (umbrella) cost comparison.

X - Other-- The function was eliminated because of base closure, realignment, budget reduction or other change in requirements.

(e) Contract Administration Staffing. The actual number of personnel who administer the contract.

d. Activity Annual Update Report. Use format at section 1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison, 1g.

Summary of Activity Reports Required for Direct Conversion

REPORT	TYPE & DISPOSITION	WHEN REQUIRED
a. Activity Solicitation Report	Report to CNO (N4)	Ten working days after issuance of solicitation
b. Activity Final Decision Summary Report	Report to CNO (N4)	Three working days after completion of pre-award survey
c. Activity Post Conversion Report	Report to CNO (N4)	Ninety days after contract start
d. Activity Annual Update Report	Report to CNO (N4)	Annually within 30 calendar days of end of each period of performance

Appendix D--Public Affairs Guidance

1. General Information. This appendix provides public affairs guidance relating to the Commercial Activities (CA) Program. Because of the CA Program's potential effect on an activity's workforce and upon the surrounding community, it is essential there be close coordination between affected installation commanders, activity commanders, local CA Program managers, and area chain of command Public Affairs Officers (PAO).

a. The Deputy Chief of Naval Operations for Logistics coordinates and directs overall policy regarding the Navy CA Program.

b. The CNO (N4) notifies activities via message of functions approved for cost comparison. This notification is provided to each affected installation, its major claimant, the chain of command, area CA coordinators, appropriate area public affairs offices and the Chief of Information (CHINFO). The message authorizes local announcement of the CAs to be studied using the statements contained in the following paragraphs, with appropriate local information inserted.

2. Congressional Announcements and Notifications. The CNO (N4) prepares the announcement to Congress of CA actions as required by the type of cost comparison.

a. Intention to Study Functions. The CNO (N4) reviews the CA functions nominated for cost comparison. If the functions are approved for cost comparison, CNO (N4) prepares a list of functions to be studied, by location, for distribution to members of Congress by the Office of Legislative Affairs (OLA). The CNO (N4) also prepares letters to the Speaker of the House and the President of the Senate advising them of the planned studies.

b. Intention to Contract - Sealed Bids. The contract award decision will be made at the conclusion of the cost comparison, a process that includes bid opening, determination of the apparent low bidder, completion of any appeal process, and a pre-award survey, if required. If a contract award is indicated, CNO (N4) coordinates congressional notification of the Navy's intention to award a contract. Upon notification, CNO (N4) will authorize contract award.

c. Intention to Contract--Negotiated Procurements. If after examining all proposals there exists an apparent successful offeror, a tentative contract award is made contingent upon the outcome of the appeal process. If contract award persists after completion of the appeal process, CNO (N4) coordinates congressional notification of the Navy's intention to authorize performance by contract. The CNO (N4) will advise

the activity, by message, of the congressional notification and will authorize commencement of the contract.

d. Decision to Retain Function In-House. No congressional notification is required when the cost comparison determines in-house retention of function.

3. Local Announcements. Public announcement will be made to all affected parties, including tenants, local activities, and employee groups and unions upon a decision to conduct a cost comparison, award a contract, or retain functions in-house. While each message must be tailored to the specific situation and location, certain aspects of notification are common and may be disseminated by a common template of information. Example media statements are at the end of this appendix.

(Note: Public announcements beyond a letter to employees and employee organization representatives may be deferred to concerned members of Congress. After Congress has been notified by the Office of Legislative Affairs, the Office of the Assistant Secretary of Defense (Public Affairs) will make a media advisory announcement.)

4. Inquiries. The following questions and answers may be used to respond to CA questions generated by local interest and involvement. Some of the inquiries may cross chain of command and local activity lines of responsibility, requiring compilation of information from a variety of affected installations or tenant commands. Communication between area PAOs is essential to ensure a smooth flow of information and present a coordinated responses to legitimate local concerns.

Q1: Why are these functions being considered for contract performance?

A1: It has been the policy of each Presidential Administration since 1955 to require all Federal departments and agencies to rely on the private enterprise system to the maximum extent possible to provide needed products and services. The Commercial Activities (CA) Program, which determines the most economical way of providing needed products and services, is consistent with this policy.

Q2: Will contracting have any influence on our military readiness since functions may be performed by civilian contractors instead of military personnel?

A2: These functions have been reviewed and it has been determined that contract performance will not affect readiness.

Q3: What other installations could be subject to contracting?

A3: Most Navy installations in the United States, its territories and possessions, and the Commonwealth of Puerto Rico have functions that could be included in the CA Program.

Q4: Will contractors offer employment for civilians displaced as a result of conversion?

A4: Contractors will give Federal employees displaced as a result of a conversion their "Right of First Refusal," as required by law, for employment opportunities in positions for which they are qualified.

Q5: What do these studies involve?

A5: Studies involve the identification of the cost of Government performance and the solicitation of bids/offers from the private sector for functions under study. A Performance Work Statement (PWS), specifying the requirements to be studied, is developed for inclusion in the solicitation. The PWS forms the basis for a Most Efficient Organization (MEO) developed to perform the function in-house. The MEO is used to determine costs for the Government estimate used in the cost comparison. If the cost comparison reveals the cost of contractual performance is less than the cost of Government performance by a factor equal to, or greater than, 10 percent of the Government's personnel costs, the function will be contracted.

Q6: When will the studies start?

A6: Studies for most functions will begin shortly after public announcement.

Q7: Who will conduct studies?

A7: Studies will be conducted primarily by Navy personnel at each installation. Expert consultants may be used to assist with the study.

Q8: Will an environmental impact analysis be conducted prior to conversion?

A8: The Navy will comply with all current regulations concerning environmental impact requirements.

Q9: Will employees and unions at various activities be notified of the studies?

A9: Yes.

Q10: Is there a specific cost savings goal for this project?

A10: No. There are no preconceived goals established since each action must be handled on an individual basis.

5. Other Media Inquires. Refer inquiries beyond the scope of this guidance to the Chief of Information (CHINFO) Newsdesk. Refer Navy Public Affairs policy questions to the CHINFO Plans, Policy, and Community Relations Office. Refer questions regarding CA Program policy to the Chief of Naval Operations (N4).

6. Example text for media news releases:

a. Example text body for media advisory for announcement of cost comparison

City and State - The Navy announced its initiation of detailed studies to determine the feasibility and economy of converting various support functions to contractor performance at local area identify activities at identify naval installations. The study is under the cognizance of Commander, identify naval installation. Currently, there are approximately provide numbers military and civilian personnel affected by the study. Decisions to convert functions to contract will be made only if the studies indicate that significant savings of tax dollars can be achieved. If such decisions are made, Congress and the public will be notified of the study. Any employees affected will receive assistance from Federal placement programs including relocations, in obtaining transfer rights to other positions in the Department of Defense or to other Federal agencies, at government expense, if necessary.

b. Example text body for announcement of cost comparison to employees and unions

This letter is to advise you that a cost comparison of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house or to convert it to contract. The function is being considered as part of a Navy-wide review of commercial activities being undertaken in response to the direction of Office and Management and Budget (OMB) Circular A-76, Performance of Commercial Activities.

The Circular requires periodic review of each commercial activity to determine if continued performance by Government personnel is required for reasons of National

Defense. If not, the Circular prescribes that the function undergo a firm bid/offer cost comparison to determine if continued performance by Government personnel is economical. Both the Government and contract cost figures used in the cost comparison are based on the same scope of work and the same performance standard to assure a fair comparison and continued high level of performance. If the costs of contracting are lower than the costs of continued Government performance by a factor equal to or greater than 10 percent of the Government's personnel costs, the function is converted to contract.

A task group has been formed to coordinate the cost comparison. The task group chairperson is state name, command code, telephone number. As soon as the milestones have been established by the task group, you will be advised. A Performance Work Statement (PWS) will be developed outlining the work results required. From that PWS, the Government's Most Efficient Organization (MEO) for the performance of the function will be determined. The cost of the MEO will be computed to estimate the costs of continued performance by Government personnel. Your suggestions on the preparation of the PWS and MEO are solicited.

In an effort to minimize the personal hardships on the event of conversion, every effort will be made to assist the affected employees in obtaining Federal or other employment. Affected employees will be eligible for placement under the DoD Priority Placement Program. In addition, in the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give affected employees their right of first refusal for employment openings on the contract in positions for which they are qualified.

c. Example text body for direct conversion of 10 or fewer FTE

City and State - The Navy initiated business case analyses to determine the feasibility and economy of converting various support functions to contractor performance at local area identify activities at identify naval installations. The solicitation is under the cognizance of Commander, identify naval installation. Currently, there are approximately provide numbers military and civilian personnel potentially affected. Decisions to directly convert functions to contract will be made after a determination that fair and reasonable prices/service values can be obtained. If such decisions are made, Congress and the public will be notified of the action. Any civilian employees affected will receive assistance from Federal placement programs, including relocations, in obtaining transfer rights to other positions in the Department of Defense or to other Federal agencies, at Government expense, if necessary. Additionally, potential contractors will be notified of requirements to offer to affected and qualified

employees their right of first refusal for jobs that may be created in the event of award of contract.

d. Example text body for announcement to employees and union of direct conversion

This letter is to advise you that a business case analysis of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house or to convert it to contract. The function is being considered as part of a Navy-wide review of commercial activities being undertaken in response to the direction of Office and Management and Budget (OMB) Circular A-76, Performance of Commercial Activities.

The Circular requires that each commercial activity be reviewed periodically to determine if continued performance by Government personnel is required for reasons of National Defense. If not, the Circular prescribes that the function undergo a feasibility study to determine if continued performance by Government personnel is economical. If available market /commercial prices are lower than the costs of continued Government performance of the Government's personnel costs, the function is converted to contract.

A task group has been formed to coordinate the cost comparison. The task group chairperson is state name, command code, telephone number. When the cost comparison is completed by the task group, you will be advised of the outcome.

In an effort to minimize the personal hardships in the event of conversion, every effort will be made to assist the affected employees in obtaining Federal or other employment. Affected employees will be eligible for placement under the DoD Priority Placement Program. In the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give affected employees their right of first refusal for employment openings on the contract in positions for which they are qualified.

e. Example text body for announcement of conversion to contractor operation

The Navy announced today its decision to convert various support functions (or list function(s)) at (activity(ies)) in the (location(s)) under the cognizance of (command or activity) to contractor performance. A contract was awarded to (name of contractor). There were (number) military personnel and (number) Navy civilian personnel performing the functions before the decision to convert to contract.

The decision to convert the functions to contract was made after a detailed study indicated that significant savings of tax dollars could be achieved. Congress and the public have been notified according to normal procedures. The civilian employees affected are receiving assistance from Federal placement programs in obtaining transfer or reassignment to other positions in the Department of Defense or to other Federal agencies. Civilian employees affected also have the right of first refusal for employment openings on the contract in positions for which they are qualified.

f. Example text body for announcement of retention of in-house operation

The Navy announced today that it will retain in-house various support (or list functions) at (activity(ies)) in the (location(s)) under the cognizance of (command or activity). Currently there are (number) military personnel and (number) Navy civilian personnel performing the functions. As a result of efficiencies identified in this study the Navy expects that (number) of these positions will be eliminated. The civilian employees affected by this decision are receiving assistance from Federal placement programs in obtaining transfer or reassignment to other positions in the Department of Defense or to other Federal agencies. The decision to retain the performance of the functions in the government was made after a detailed study indicated it was more cost effective to continue to perform the functions by Governmental personnel than by contract.

Appendix E--Principal Statutes Governing CA

1. Title 10 U.S. Code (U.S.C.) (various sections--2461-2471).

a. Section 2461. This section requires congressional notification on the decision to study a function performed by DoD civilian employees. It requires a detailed summary of performance costs that demonstrate contractor performance will result in cost savings to the Government over the life of the contract. It requires certification of the Most Efficient Organization (MEO) and requires congressional reporting regarding:

(1) The economic effect on employees if the function involves more than 75 employees

(2) The effect of contracting on the military mission of the function and the amount of accepted bid and cost of government performance together with conversion costs

(3) Requiring an annual report to Congress (commonly known as the annual CA inventory)

(4) Waiver for the congressional announcement and notification requirements for functions performed by 50 or fewer DoD civilian employees or for preferential procurement

(5) Prohibiting conversion of a function to contract to circumvent a civilian personnel ceiling

(6) Certification that all analysis is available for examination

b. Section 2462. Requires DoD to procure supplies or services from the private sector where such are available at lower cost than that which DoD can itself provide. Requires the Secretary of Defense (SECDEF) to ensure costs considered are fair and reasonable and reflect all costs such as quality assurance, technical monitoring, liability insurance, employee retirement and disability benefits and all other overhead costs.

c. Section 2463. Requires the collection and retention of cost information with respect to converting the performance of a service or function to contractor performance for the term of the contract (not to exceed 5 years) and for conversion from contractor to in-house performance.

d. Section 2464. Establishes core logistics capability and limitations on contracting these functions.

e. Section 2465. Prohibits contracting of firefighting or security-guard functions.

f. Section 2466. Limits and sets percentages for contract performance of depot-level materiel maintenance.

g. Section 2467. Requires the inclusion of retirement costs in government cost comparisons. Requires at least monthly consultation with employees and consideration of their views in developing Performance Work Statement (PWS), management study efforts, and other relevant matters. Establishes that consultation with labor organization representatives (as defined by Title 5 U.S.C. 711) satisfies the consultation requirement.

h. Section 2468. Establishes base commander's authority including the requirement to prepare an annual inventory, determine which CA's will be reviewed under OMB Circular A-76 and to conduct solicitations according to the A-76 process. Limits commanders' authority as prescribed by SECDEF regulations. Requires commanders to provide employment assistance to displaced employees. Defines a military installation.

i. Section 2469. Defines limitations on application of OMB Circular A-76 to depot-level activities.

j. Section 2470. Establishes authority for DoD depot-level activities to compete for maintenance and repair workloads of other Federal agencies.

k. Section 2471. Establishes authorities and limits of leasing excess depot-level equipment and facilities.

2. Title 16 U.S.C. 670a, Conservation/Cooperative Plan for Wildlife Conservation and Rehabilitation. With regard to the implementation and enforcement of cooperative plans agreed to under subsection (a) of this section (1) neither Office of Management and Budget Circular A-76 nor any successor circular thereto applies to the procurement of services that are necessary for that implementation and enforcement; and (2) priority shall be given to the entering into of contracts for the procurement of such implementation and enforcement services with Federal and State agencies having responsibility for the conservation or management of fish or wildlife. This statute is implemented through DODI 4715.3, Environmental Conservation Program, 3 May 1996 (NOTAL).

3. Public Law (PL) 103-226, Federal Workforce Restructuring Act (FWRA) of 1994. The FWRA requires agencies to reduce full-time equivalent positions during fiscal years 1994 through 1999. The Act authorizes agencies to offer employees incentives to retire or leave Federal employment (e.g., Variable Separation Incentive Payment (VSIP)/Variable Early Retirement Authority (VERA)).

4. Annually, the Defense Appropriations Act contains a provision that prohibits spending any funds to convert to contractor performance any function of more than 10 civilian employees without completion of an MEO and congressional announcement. A second general provision prohibits spending funds for studies that exceed 24 months for single function studies and 48 months for multi-function studies. This provision places an absolute time limit on studies. For FY99 the Appropriations Act includes the following citations:

a. Section 8014. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than 10 Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That this section and subsections (a), (b), (c) of 10 U.S.C. 2461 shall not apply to a commercial or industrial type function of the Department of Defense that: (1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Javits-Wagner-O'Day Act; (2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped individuals in accordance with that Act; or (3) is planned to be converted to performance by a qualified firm under 51 per centum Native American ownership

b. Section 8026. None of the funds appropriated by this Act shall be available to perform any cost study pursuant to the provisions of OMB Circular A-76 if the study being performed exceeds a period of 24 months after initiation of such study with respect to a single function activity or 48 months after initiation of such study for a multi-function activity.

5. Combining these legal requirements establishes the following policy contained in the body of this instruction:

a. Functions with 10 or fewer FTE: By Navy policy, these actions are announced to Congress by the Navy as a courtesy and activities should forward requests to CNO (N4) via their major claimants. After the announcement the function can be "directly

converted” per paragraph 4a above. Cost data must be reported in accordance with the requirements of this instruction.

b. Functions with 11 to 50 FTEs: As stated in paragraph 5a, above, these functions are announced to Congress as a courtesy. Activities will perform a CA study per OMB Circular A-76 to formulate an MEO and will prepare a cost comparison. Upon reaching a decision to convert a function to contract, the decision must be announced to Congress before the conversion proceeds.

c. Functions of more than 50 FTEs: As in paragraph 5b, above, except that these functions must be announced to Congress as required by Title 10 U.S.C. 2461 before the study commences.

6. In summary, although OMB Circular A-76 (NOTAL) provides several alternatives to performing formal cost comparisons, Navy activities must meet statutory reporting requirements. Navy policy meets these requirements with the formal cost comparison process as stated in this instruction.